CJS/lil 3/21/2016

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3-21-16
03:34 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking into Policies to Promote a Partnership Framework between Energy Investor Owned Utilities and the Water Sector to Promote Water-Energy Nexus Programs.	Rulemaking 13-12-011 (December 19, 2013)

ASSIGNED COMMISSIONER'S RULING SETTING SCHEDULE FOR NEXT STEPS IN MATINEE RATE PROPOSALS AND INVITING COMMENTS

This ruling identifies next steps in the Energy Matinee Pricing portion of this proceeding, establishes a procedural schedule and invites parties to file comments on the proposed pilot designs. In response to the three options presented in its February 4, 2016 proposal, I direct Pacific Gas and Electric Company (PG&E) and the other parties to focus its attention on "Option 3," a static time-of-use (TOU) proposal.

1. Overview of Energy Matinee Pricing Tariffs

This rulemaking was opened in 2013 with the goal of developing "a partnership framework between investor owned energy utilities and the water sector – both privately owned water utilities regulated by the Commission and public water and wastewater agencies – to co-fund programs that reduce energy consumption by the water sector in supplying, conveying, treating, and distributing water."[1] The proceeding is addressing a variety of programs in concurrent but separate tracks.

The Amended Scoping Memorandum specifically states that this proceeding will explore "what immediate-term, mid-term, and long-term actions the Commission can take to address the water-energy nexus and promote conservation in light of both the current drought, the imperative of saving water [sic] and using energy, and to address current and future climate challenges."[2]

This track, which will examine Energy Matinee Rates, was opened by my December 2, 2015 Assigned Commissioner Ruling (ACR) seeking energy matinee pricing tariff proposals. In light of the state of emergency caused by California's drought, the ACR directed that PG&E, Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) develop a tariff that would encourage a shift in energy use by commercial, industrial, and agricultural users to alternative times of the day when abundant renewable and low-water-using energy are produced at high (and growing) quantities.[3] In other words, the purpose of this track is to develop tariff structures that will use price signals to encourage customers to shift usage to times when "Low-water using energy is more abundant, and demand is currently low."[4] The ACR required the utilities to submit proposals for pilot opt-in Matinee Rates for commercial,

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1 Order Instituting Rulemaking at 2.

2 Amended Scoping Memo at 2.

3 ACR at 2-3.

4 ACR at 3.

industrial, and agricultural customers, and set specific parameters for the proposals.[5]

On January 12, 2016, the following parties submitted opening comments on the ACR: Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), SDG&E, Shell Energy North America (US), L.P., California Farm Bureau Federation (CFBF), California Large Energy Consumers Association (CLECA), Utility Consumers' Action Network (UCAN), SCE, PG&E, NLine Energy, Inc. (NLine).[6] Reply comments were filed on January 22, 2016 by NLine, and on January 25, 2016 by PG&E, SDG&E, CFBF, Association of California Water Agencies, CLECA, UCAN and California Municipal Utilities Association. On January 25, 2016, joint reply comments were filed by Bear Valley Electric Service Company, A Division of Golden State Water Company, Liberty Utilities (CalPeco Electric) LLC, and PacifiCorp (These parties are members of California Association of Small and Multi-Jurisdictional Utilities or CASMU).

1.1. Summary of Pilot Proposals

On February 4, 2016, the three utilities (PG&E, SCE and SDG&E) each filed a proposal for a non-residential opt-in matinee pricing pilot. CFBF also filed a proposal.

PG&E's proposal recommends three options, each of which would be a "rider" on a customer's otherwise applicable tariff. PG&E indicates that the Commission would need to choose amongst the three options; PG&E expresses a preference for Option 3 and, as discussed in greater detail below, I concur that

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[5] ACR at 18.

[6] NLine's comments were accepted for late-filing on January 13, 2016.

this is a reasonable pilot proposal to pursue. PG&E's Option 1 is based on PG&E's existing Excess Supply Pilot (XSP). As a part of the XSP pilot, PG&E pays enrolled customers up to $10/kilowatt (kW)-month to consume energy when directed on a day-ahead basis. A customer's performance is evaluated, and the incentive is paid on a monthly basis based on that performance. The XSP pilot is focused on residential and small commercial and industrial (C&I) customers as they have no demand charges to offset the value of the incentive. For the purpose of the Matinee Rates pilot, PG&E proposes that the excess supply period demand would not count toward otherwise applicable demand charges. PG&E noted that the use of the XSP mechanism requires an affirmative Commission finding in a separate proceeding, and that the earliest launch date proposed is June, 2017.

PG&E's Option 2 concerns dynamic pricing for excess supply hours. It would be similar to the current peak day pricing program, but would instead focus on excess supply periods in the March-May months. The pilot would involve volumetric credits for excess supply hours and volumetric charges for all other hours to maintain revenue neutrality. As with Option 1, the excess supply period demand would not count toward demand charges and the earliest launch date proposed is June, 2017.

PG&E's Option 3, which is its preferred option, proposes a static Matinee Rates pilot modeled on TOU rates tariffs, but adjusted to incentivize energy "matinee" use with pricing to take advantage of renewable and low water using energy. Option 3 proposes a super off-peak overlay for the months of March and April. A volumetric credit would apply during the super off-peak period, and a volumetric charge would apply during all other hours. As with Options 1 and 2, super off-peak demand would not count toward existing demand charges and the earliest launch date proposed is June, 2017.

SCE proposes to modify its existing real time pricing (RTP) schedules to offer attractive prices from 10:00 a.m. – 4:00 p.m. for up to 200 commercial, industrial, and agricultural customers with maximum demands at or above 200 kW. SCE proposes an expected 30% discount for customers participating in the pilot on most winter and all weekend days; and volumetric prices of 2-3 cents for electrical generation during most Spring/Winter weekdays when over-generation is expected. SCE proposes to achieve this by replacing marginal generation energy costs in the modified RTP with California Independent System Operator (CAISO) day-ahead energy price data. The menu of hourly prices in the pilot would reflect nine different temperature/day-of-the-week profiles. SCE proposes to target large agricultural and pumping customers as well as water agencies and water treatment plants. SCE notes that the earliest launch for the pilot would be 9-12 months after a final Commission decision.

SDG&E proposes to target agricultural and pumping customers with maximum demands above 500 kW. Hourly dynamic pricing would be used in which day-ahead or day-of prices from CAISO would be used as "adders" and "credits" in an hourly rate scheme. The "adders" would apply to the top 150 hours each year; and the "credits" would apply to over-generation hours of an uncertain number. SDG&E's proposal would require demand response controls to operationalize. SDG&E states that they expected the best rates to occur between 10:00 a.m. and 2:00 p.m. during Winter months.

CFBF proposes to slow the pace of the Commission's consideration of deploying an Energy Matinee pricing tariff. Suggestions include "piggybacking off of existing programs" and reliance on existing rate schedules.[7]

2. Discussion of Pilot Proposals and Timing

After the opening comments, reply comments and initial tariff proposals, I hosted a workshop on February 24, 2016. At that workshop, parties discussed specific details concerning both the utility offerings and customer motivations in accepting an energy matinee pricing tariff. Representatives of commercial, industrial, and agricultural customers addressed the workshop and discussed the features they would like to see in a tariff to be able to use energy matinee prices, including having sufficient notice and predictability to schedule production, staff, and maintenance work. Informed by the tariff proposals and by the discussion at the workshop, today's ruling invites parties to file comments on the utility proposals and on other any other issues related to the energy matinee pricing tariff pilots.

The timing of these pilots is critical. The CAISO reports that over-generation occurs at varying levels throughout the year, peaking in the Spring months. For this reason, I believe it is important to start the pilots in time to include Spring 2017 and that the pilots should run through the end of Spring 2018. These pilots, lasting for a total of two Spring seasons, will act as a proof of concept of whether or not an energy matinee pricing tariff is appropriate. The pilots can be adequately evaluated as a proof of concept after customers and the utilities have experienced two Spring periods seasons. The

[7] CFBF proposal, page 2.

three utilities indicate that it will be challenging to set up a pilot with experimental design elements (such as a control group and participation rates) with sufficient rigor to have statistical significance. Other parties expressed similar concerns; TURN argues for a default pilot (instead of opt-in) to reduce costs. While I am sympathetic to these concerns, I think that they must be balanced with the importance of finding tools to address the immediate over-generation problem cited by the CAISO, as well as the need to reduce water consumption, including water used in energy production, in light of the drought.

Based on this, these pilots should be designed to demonstrate proof of concept. A total population of at least 100 customers per service territory will be robust enough to gain and analyze critical information that will inform us about these pilots and options going forward. I note that there are other larger TOU pilots under consideration; this proof of concept is meant to complement and not replace any of those parallel efforts. This simplified pilot design allows us to expeditiously achieve the first step in developing, analyzing, and implementing energy matinee rates.

After reviewing the proposals, and hearing from parties at the February 24, 2016 workshop, I believe that of the three PG&E proposed pilot structures Option 3 (Static TOU Periods) is the most promising and viable. The static TOU period rate structure differs from the pilots proposed by SCE and SDG&E. PG&E's implementation and analysis of static TOU periods in its pilot will yield new information for the Commission and the parties. Given that time is of the essence in developing, approving and launching the Matinee Rates pilots, I direct PG&E to focus its efforts on its Option 3 and for the parties to file their comments accordingly. Similarly, I direct SDG&E and SCE to focus on preparing their pilots as submitted on February 4, 2016 and for the parties to file comments in response accordingly.

Pursuant to General Order 96-B, the Commission has authority to direct utilities to implement new tariffs through the advice letter process. A Tier 1 advice letter, which is effective pending disposition, is appropriate when a tariff change is in compliance with specific requirements of a Commission order, such as a decision.[8] Tier 2 and Tier 3 advice letters are used for more complex tariff changes and are effective upon staff approval (Tier 2) or Commission approval (Tier 3). I envision after this ruling issuing a proposed decision which could adopt energy matinee pricing tariffs; in such a document, the utilities would be directed to submit their tariffs via a Tier 1 advice letter filing. Therefore, I encourage parties to keep the requirements and limitations of a Tier 1 advice letter filing in mind when making their comments and responding to the questions below.

3. Small & Multi-Jurisdictional Investor-Owned Utilities (IOUs)

CASMU asserts that the ACR requiring Matinee Rates pilot proposals was not intended to apply to CASMU members. CASMU points out that the Commission has routinely found that because of the small size of CASMU members, and the nature of their operations, it is "inappropriate and burdensome for the Commission to impose certain burdens on CASMU members."[9] Second, CASMU members do not have the same infrastructure

[8] General Order 96-B, Section 5.1(1).

[9] Joint Reply Comments at 2.

deployment and rate structures as the three larger IOUs. For example, not all CASMU members currently have smart meters or time of use rates.

I agree with CASMU that at this time it would be burdensome for CASMU members to develop Matinee Rates pilots. Since my proposal is to develop a proof of concept, I see little benefit in the development of a Small Multi-Jurisdictional Utility Matinee Rates tariff at this time. However, CASMU members remain respondents to this proceeding. Although CASMU members are not being directed to implement pilots at this time, the Commission may in the future, as part of this proceeding or in the individual CASMU member rate cases, direct CASMU members to implement their own Matinee Rates pilots or tariffs.

4. Questions for the Parties

Parties are invited to comment generally on proposed utility pilots, as modified by the following specific parameters:

(1) Pilot Duration commencing at the beginning of Spring 2017 and running through the end of Spring 2018 (including two Spring periods).

(2) Metrics: Pilots should measure: (i) load shift from peak to off-peak usage associated with the pilot tariff; (ii) change in the amount of energy used by the customer during peak and off-peak periods; (iii) change in the amount of water used by electric generation during peak and off-peak periods for power plant cooling; and (iv) utility load conditions and any curtailments associated with over-generation of renewables.

(3) Cost Tracking in Separate Memorandum Account.

(4) Option 3 only for PG&E pilot.

In addition to general comments, I am interested in hearing from parties on the following specific questions:

a) What procedure or tool should be used for the measurements identified in this ACR?

b) If a prospective pilot participant does not have an appropriate technology interface, what options are available to allow them to participate in a Matinee Pricing pilot?

c) Should super-off peak hours be exempt from demand charges?

d) Is participation of a minimum of 100 and a maximum of 200 customers from C&I or Agricultural customer classes sufficient? Should the pilot be adjusted if fewer than 100 or more than 200 customer from the C&I or Agricultural customer classes opt-in to or show interest in the pilot?

I encourage parties to both be specific and direct about issues raised to date in this track of the proceeding; comments are not limited to the questions and topics listed above.

5. Procedural Schedule of Energy Matinee Pricing

The procedural schedule takes into account the need to move quickly in order to meet the Spring 2017 start date. As discussed above, I expect that the final decision will direct the utilities to file a Tier 1 advice letter implementing the Matinee Rates pilots.

Event	Date
Opening Comments, filed and served	April 20, 2016
Reply Comments, filed and served	April 29, 2016
Proposed Decision, issued	May 2016
Pilot Period Begins (if adopted)	Beginning of Spring 2017
Pilot Period Ends (if adopted)	End of Spring 2018

THEREFORE, IT IS SO RULED.

Dated March 21, 2016, at San Francisco, California.

/s/ CATHERIN J.K. SANDOVAL
Catherine J.K. Sandoval
Assigned Commissioner